

**DAVID RAINES COMMUNITY
HEALTH CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2009

(With Summarized Financial Information for 2008)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/24/10

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
June 30, 2009
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**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

We have audited the accompanying statements of financial position of David Raines Community Health Center, Inc. (a nonprofit organization) as of June 30, 2009, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated November 20, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of David Raines Community Health Center, Inc., as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2009, on our consideration of the David Raines Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of David Raines Community Health Center, Inc., taken as a whole. The schedule on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Banks, Finley, White & Co.
October 20, 2009

EXHIBIT I

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2009
(With Summarized Financial Information for 2008)

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and cash equivalents	\$ 124,633	\$ 46,022
Certificates of deposit	104,903	325,408
Patient care receivables, less allowance of \$384,582 for doubtful accounts	328,492	167,355
Grants receivable	34,273	28,328
Accounts receivable - other	539	-
Inventory - pharmacy	53,522	43,122
Prepaid expenses	<u>13,108</u>	<u>33,623</u>
Total Current Assets	<u>659,470</u>	<u>643,858</u>
Fixed Assets:		
Land	28,500	28,500
Building and improvements	2,308,665	2,226,715
Furniture and equipment	1,332,689	1,234,977
Vehicles	<u>365,425</u>	<u>345,292</u>
	4,035,279	3,835,484
Less: Accumulated depreciation	<u>(1,632,730)</u>	<u>(1,388,809)</u>
Net Fixed Assets	<u>2,402,549</u>	<u>2,446,675</u>
TOTAL ASSETS	<u>\$ 3,062,019</u>	<u>\$ 3,090,533</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT I
(Continued)

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2009
(With Summarized Financial Information for 2008)

<u>LIABILITIES AND NET ASSETS</u>	<u>2009</u>	<u>2008</u>
Current Liabilities:		
Accounts payable	\$ 189,195	\$ 99,333
Payroll taxes payable	40,245	8,688
Other payroll deductions payable	-	4,994
Salaries payable	138,620	118,167
Accrued annual leave	142,506	124,850
Other current liabilities	7,397	2,955
Refundable advance	-	38,490
Current portion of long term debt	117,497	108,585
Total Current Liabilities	<u>635,460</u>	<u>506,062</u>
Long-Term Liabilities		
Notes payable, net of current portion	1,125,913	1,229,951
Capital lease payable, net of current portion	21,453	15,831
Total Long-Term Liabilities	<u>1,147,366</u>	<u>1,245,782</u>
Total Liabilities	<u>1,782,826</u>	<u>1,751,844</u>
Net Assets:		
Unrestricted		
Undesignated (Operating)	131,774	(81,944)
Section 329/330(d) reserve	179,925	409,014
Fixed assets	967,494	1,011,619
Total Net Assets	<u>1,279,193</u>	<u>1,338,689</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,062,019</u>	<u>\$ 3,090,533</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT II

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Activities
For the Year Ended June 30, 2009
(With Summarized Financial Information for 2008)

	<u>Operations</u>	<u>Fixed Assets</u>	<u>2009</u>	<u>2008</u>
SUPPORT AND REVENUES (Note 2)				
Support:				
Grants and contracts	\$ 2,282,215	-	\$ 2,282,215	\$ 1,925,793
Total Support	<u>2,282,215</u>	<u>-</u>	<u>2,282,215</u>	<u>1,925,793</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$2,048,920	3,276,748	-	3,276,748	2,380,408
Contributions	237,500	-	237,500	271,919
Interest income	9,356	-	9,356	18,163
Other income	43,216	-	43,216	5,736
In-kind revenues	<u>150,183</u>	<u>-</u>	<u>150,183</u>	<u>158,793</u>
Total Revenue	<u>3,717,003</u>	<u>-</u>	<u>3,717,003</u>	<u>2,835,019</u>
TOTAL SUPPORT AND REVENUES	<u>5,999,218</u>	<u>-</u>	<u>5,999,218</u>	<u>4,760,812</u>
EXPENSES				
Program Services				
Health care services	3,427,565	-	3,427,565	2,367,597
Community services	<u>310,639</u>	<u>-</u>	<u>310,639</u>	<u>133,394</u>
Total Program Services	<u>3,738,204</u>	<u>-</u>	<u>3,738,204</u>	<u>2,500,991</u>
Supporting Services				
Management and general	2,076,590	243,920	2,320,510	2,267,709
Total Supporting Services	<u>2,076,590</u>	<u>243,920</u>	<u>2,320,510</u>	<u>2,267,709</u>
TOTAL EXPENSES	<u>5,814,794</u>	<u>243,920</u>	<u>6,058,714</u>	<u>4,768,700</u>
Change in Net Assets	<u>184,424</u>	<u>(243,920)</u>	<u>(59,496)</u>	<u>(7,888)</u>
Net Assets, Beginning of Year	327,070	1,011,619	1,338,689	1,346,577
Other changes in net assets				
Proceeds from loans	-	-	-	-
Acquisition of fixed assets	<u>(199,795)</u>	<u>199,795</u>	<u>-</u>	<u>-</u>
	<u>(199,795)</u>	<u>199,795</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 311,699</u>	<u>967,494</u>	<u>\$ 1,279,193</u>	<u>\$ 1,338,689</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT III

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2009
(With Summarized Financial Information for 2008)

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	2009	2008
Changes in Net Assets	\$ (59,496)	\$ (7,888)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	243,920	189,037
Decrease (increase) in:		
Patient care receivables	(161,137)	(38,521)
Inventory	(10,400)	(4,551)
Other receivable	(539)	-
Grants receivable	(5,945)	80,174
Prepaid expenses	20,515	(33,623)
Increase (decrease) in:		
Accounts payable	89,862	72,079
Payroll taxes payable	31,557	(1,057)
Other payroll deductions payable	(6,841)	(5,089)
Refundable advances	(38,490)	38,490
Other liabilities	6,290	1,830
Accrued annual leave	17,656	54,532
Accrued salary payable	20,453	28,586
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>147,405</u>	<u>374,019</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Maturity of Investments	229,089	-
Interest earned on investments	(8,584)	(15,883)
Acquisition of fixed assets	<u>(199,795)</u>	<u>(1,452,216)</u>

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

<u>20,710</u>	<u>(1,468,099)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Principal payment on capital lease	10,411	(6,970)
Proceeds from borrowings	-	1,070,000
Principal payment on notes payable	<u>(99,915)</u>	<u>(27,332)</u>

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

<u>(89,504)</u>	<u>1,035,698</u>
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NET INCREASE (DECREASE) IN CASH

78,611	(58,382)
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CASH, BEGINNING OF YEAR

<u>46,023</u>	<u>104,405</u>
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CASH, END OF YEAR

<u>\$ 124,634</u>	<u>\$ 46,023</u>
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Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest expense	<u>\$ 54,052</u>	<u>\$ 29,135</u>
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Non-cash investing and financing activities:

Purchase of copier through capital lease	<u>\$ 20,833</u>	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

EXHIBIT IV

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Functional Expenses
For the Year Ended June 30, 2009

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>	
	<u>Health Care Services</u>	<u>Community Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Personnel	\$2,376,850	182,602	2,559,452	965,019	\$ 3,524,471
Fringe benefits	282,479	17,163	299,642	161,515	461,157
Travel	41,939	1,190	43,129	80,938	124,067
Supplies	530,651	4,376	535,027	161,720	696,747
Equipment rental	117	-	117	22,209	22,326
Contractual	150,579	103,833	254,412	169,924	424,336
Legal	-	-	-	1,666	1,666
Dues and subscriptions	4,017	-	4,017	15,806	19,823
Utilities	334	1,058	1,392	67,200	68,592
Repairs and maintenance	18,036	-	18,036	59,563	77,599
Insurance	-	-	-	39,669	39,669
Staff recruitment	4,507	-	4,507	6,114	10,621
Advertisement	1,341	-	1,341	76,908	78,249
Security	-	-	-	3,134	3,134
Training and development	2,512	-	2,512	(703)	1,809
Telephone	3,470	-	3,470	92,503	95,973
Postage	65	14	79	8,488	8,567
Printing	5,842	290	6,132	10,892	17,024
Space cost	-	-	-	7,150	7,150
Interest	-	-	-	54,052	54,052
Bank charges	-	-	-	18,936	18,936
Food and beverage	463	-	463	10,009	10,472
Board expenses	-	-	-	30,167	30,167
Fundraising	-	-	-	2,330	2,330
Property and other taxes	-	-	-	1,847	1,847
Other	4,363	113	4,476	9,534	14,010
Total expenses before depreciation	3,427,565	310,639	3,738,204	2,076,590	5,814,794
Depreciation	-	-	-	243,920	243,920
Total Expenses	<u>\$3,427,565</u>	<u>310,639</u>	<u>3,738,204</u>	<u>2,320,510</u>	<u>\$ 6,058,714</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2009

NOTE 1 - ABOUT THE ORGANIZATION

David Raines Community Health Center, Inc. (DRCHC), a non-profit corporation was incorporated in the State of Louisiana on May 19, 1992. DRCHC was incorporated for the purpose of delivering comprehensive primary health care services to all individuals and families in the surrounding contiguous areas.

The fiscal year of DRCHC is July 1 through June 30.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of David Raines Community Health Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Assets acquired with a unit cost of \$5000 is capitalized and depreciated over their estimated useful lives.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - DRCHC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.
- N. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2009

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 124,633	\$ 124,633
Certificates of deposit	104,903	104,903
Financial liabilities:		
Capital lease payable	\$ 34,911	\$ 34,911
Notes payable	1,229,952	1,229,952

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Center maintains its cash balances in three (3) financial institutions located in Shreveport, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2009, the Center did not have an uninsured cash balance.

NOTE 5 - PATIENT RECEIVABLES

The amount of net patient care receivable at June 30, 2009 was \$328,492. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

NOTE 6 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation at June 30, 2009:

<u>Assets</u>	<u>Cost</u>
Land	\$ 28,500
Buildings and Improvements	2,308,665
Furniture and Equipment	1,332,689
Vehicles	365,425
Total Fixed Assets	4,035,279
Less: Accumulated Depreciation	(1,632,730)
Net Fixed Assets	<u>\$ 2,402,549</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2009

NOTE 7 - CORPORATE INCOME TAXES

The corporation is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for Federal or Louisiana corporate income taxes in the accompanying financial statements.

NOTE 8 - RETIREMENT PLAN

The Center has a Section 403(b) retirement annuity plan on all eligible employees. Currently, the Center contributes to the plan three percent (3%) of gross wages. Each employee is allowed to contribute up to six percent (6%) of gross wages. The retirement expense for the fiscal year is \$15,227.

NOTE 9 - COMMITMENT AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at June 30, 2009 in the amount of \$142,506 is included in the financial statements. See Note 2.J. above.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

David Raines Community Health Center's operations are funded through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services	6H80CS00720-06-03	7/1/08 - 12/31/08	\$ 1,073,296
U.S. Department of Health and Human Services	6H80CS00720-07-03	1/1/09 - 6/30/09	\$ 1,034,418
U.S. Department of Health and Human Services	1H8BCS12554-01-00	3/27/09 - 6/30/09	\$ 8,603
Louisiana State Department of Health and Hospitals (WIC)	652051	10/1/07-9/30/08	122,885
United Way	N/A	7/1/08-6/30/09	34,877
State of LA - Minority Health Grant	N/A	7/1/08-6/30/09	8,136
TOTAL			\$ 2,282,215

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2009

NOTE 11 - LONG-TERM NOTES PAYABLE

Notes payable consist of the following at June 30, 2009:

6.11% note dated November 23, 2005, payable in monthly payments of \$2,439 which includes principal and interest only; matures , December 1, 2020, collateralized by Minden Clinic Building	\$ 240,247
6.65% note dated November 8, 2005, payable in monthly payments of \$587 which includes principal and interest only; matures December 1, 2010, collateralized by 2006 Toyota Avalon	10,027
2.00% note dated April 14, 2008, payable in monthly payments of \$5,920 which includes principal and interest only; matures April 14, 2013; collateralized by Bossier Clinic Building	857,913
6.25% note dated April 14, 2008, payable in monthly payments of \$2,933 which includes principal and interest only; matures May 1, 2013, collateralized by 2nd mortgage on Bossier Clinic Building	<u>121,764</u>
TOTALS	<u>\$ 1,229,951</u>

Maturities of long-term debt are as follows:

2010	\$ 104,038
2011	105,162
2012	105,777
2013	740,625
2014	19,218
Thereafter	<u>155,131</u>
Totals	<u>\$ 1,229,951</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2009

NOTE 12 - CAPITAL LEASE PAYABLE

The Center leases certain equipment under agreements classified as capital leases. The capital lease obligations are collateralized by the equipment.

Future minimum lease payments under capital leases as of June 30, 2009 are as follows:

Various leases payable in monthly installments of \$1,891
which includes principal and interest. Maturity dates through August 2014.

Year Ending June 30		
2010	\$ 22,692	
2011	14,547	
2012	8,976	
2013	8,976	
2014	<u>1,048</u>	
Total future lease payments	56,239	
Less: amount representing interest	<u>(21,327)</u>	
Present value of minimum lease payments		<u>34,912</u>
TOTAL OBLIGATIONS UNDER CAPITAL LEASE		<u>\$ 34,912</u>

NOTE 13 - DONATED SERVICES

The Louisiana State University School of Medicine provides the Center with donated staff time and medical supplies. Staff time is valued at the actual salary rate of each individual. Detailed records are maintained by the school and made available to the Center for evaluation.

The value of donated services included in the financial statements and the corresponding expenses for the year ended June 30, 2009 are as follows:

Professional Services	\$ 111,012
Medical Supplies	9,053
Fringe Benefits	<u>30,118</u>
Total	<u>\$ 150,183</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2009

NOTE 14 - LITIGATION

David Raines Community Health Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, David Raines Community Health Center, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of David Raines Community Health Center, Inc.

NOTE 15 - ADVERTISING

David Raines Community Health Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending June 30, 2009, advertising cost totaled \$78,249.

NOTE 16 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 37% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 17 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 18 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Program:			
Bureau of Primary Health Care			
Health Centers Cluster	93.224	6H80CS00720-06-03	\$ 1,073,296
Health Centers Cluster	93.224	6H80CS00720-07-03	1,034,418
			<u>2,107,714</u>
Direct Program:			
ARRA - Increase Services to Health Centers	93.703	1H8BCS12554-01-00	<u>8,603</u>
Pass Through State of Louisiana Department of Health and Hospitals			
Minority Health Grant	93.XXX	N/A	<u>8,136</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,124,453</u>
<u>U. S. Department of Agriculture</u>			
Pass Through State of Louisiana Department of Health and Hospitals			
Women, Infant & Children Grant (WIC)	10.557	652051	<u>122,885</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,247,338</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by David Raines Community Health Center, Inc. for the year ended June 30, 2009, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between David Raines Community Health Center, Inc. and the federal government and sub-awards from non-federal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of David Raines Community Health Center, Inc., it is not intended to and does not present either the financial position or the changes in net assets of David Raines Community Health Center, Inc.

SUPPLEMENTARY INFORMATION

SCHEDULE A

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Combining Schedule of Support and Revenues
For the Year Ended June 30, 2009

	HHS Section 330 Funds	ARRA Stimulus Funds	WIC Program	United Way Grant	Medical Home Initiative Grant	Total
SUPPORT AND REVENUES:						
Support:						
Grants and contracts	\$ 2,107,715	\$ 8,603	122,885	34,877	8,136	\$ 2,282,216
Total Support	<u>2,107,715</u>	<u>8,603</u>	<u>122,885</u>	<u>34,877</u>	<u>8,136</u>	<u>2,282,216</u>
Revenue:						
Health care services, net of charity, bad debts and adjustments of \$2,048,920	3,276,748	-	-	-	-	3,276,748
Contributions	237,500	-	-	-	-	237,500
Interest income	9,356	-	-	-	-	9,356
Other income	43,215	-	-	-	-	43,215
In-kind revenues	150,183	-	-	-	-	150,183
TOTAL SUPPORT AND REVENUES	<u>\$ 5,824,717</u>	<u>\$ 8,603</u>	<u>122,885</u>	<u>34,877</u>	<u>8,136</u>	<u>\$ 5,999,218</u>



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

We have audited the financial statements of David Raines Community Health Center, Inc., (a non-profit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered David Raines Community Health Center, Inc.'s, internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether David Raines Community Health Center, Inc.'s, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Banks, Finley, White & Co

October 20, 2009



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Compliance

We have audited the compliance of David Raines Community Health Center, Inc., (a non-profit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. David Raines Community Health Center, Inc.'s, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of David Raines Community Health Center, Inc.'s management. Our responsibility is to express an opinion on David Raines Community Health Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about David Raines Community Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the organization's compliance with those requirements.

In our opinion, David Raines Community Health Center, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as Finding 2009-1.

Internal Control Over Compliance

The management of David Raines Community Health Center, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered David Raines Community Health Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

David Raines Community Health Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit David Raines Community Health Center, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Banker Finley White & Co.

October 20, 2009

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Auditee's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

There were no prior year findings.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the basic financial statements. | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements. | None |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | None |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | None |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | U. S. Department of Health and Human Services
Health Center Cluster, CFDA # 93.224
ARRA - Increase Services to Health Centers, CFDA # 93.703 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2 - Findings - Financial Statements Audit

NONE

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

Finding 2009-1

**U. S. Department of Health and Human Services
Consolidated Health Center Grant; CFDA #93.224**

Condition

During our review of the Board members that received medical services from the Clinic, we noted that the majority did not utilize the center for medical services.

Cause

The majority of Board members were not being served by the Center.

Effect

Non-compliance with grant provisions and guidelines.

Criteria

The OMB Circular A-133 Compliance Supplement, Department of Health and Human Services requirements for Special Test and Provisions outlined for the Governing Board. The Supplement states that the Organization must have a governing board that is composed of individuals which a majority of whom are being served by the Center.

Auditor's Recommendation

David Raines Community Health Center, Inc. should take the appropriate steps to ensure that the Clinic is in compliance with the Department of Health and Human Services requirements.

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315(c) of OMB Circular A-133, the David Raines Community Health Center, Inc. has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2009.



DAVID RAINES COMMUNITY HEALTH CENTERS

1625 DAVID RAINES ROAD SHREVEPORT, LA 71107
(318) 227-3350 FAX (318) 227-8510

BOARD OF DIRECTORS

ANNIE PEARL WILSON
PRESIDENT

BERTIE DEAN
VICE PRESIDENT

ROBERTA PAYNE
SECRETARY

BENJAMIN PUGH
TREASURER

MICHAEL GLAYNER

REV. ROBERT GREEN

FURNIA HARDY

LINDA HARTWELL, PhD.

RICHWELL ISON

SUSIE JEFFERSON

KAREN LOGAN

WILLIAM MADDOX

JESSE SCOTT

REV. WILLIE YOUNG, SR.

CORRECTIVE ACTION PLAN

August 8, 2009

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

David Raines Community Health Center, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2009.

Name and address of independent public accounting firm:

Banks, Finley, White & Company
308 Highland Park Cove
Ridgeland, MS 39157

Audit period: Year Ended June 30, 2009.

The findings from the June 30, 2009 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1 of the schedule, Summary of Auditor's Results, does not include findings and are not addressed.

FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding No. 2009-01

Grant Special Tests and Provision

Recommendation: The Center should adopt administrative control procedures to monitor this compliance requirement to ensure that a majority of the governing board is served by the Center to ensure compliance with this grant requirement.

Action Taken: The Center will adopt administrative control procedures to monitor the board members compliance with the special tests and provision of the grant as it relates to being served by the Center. The Center is committed to this requirement and will be compliant by January 2010.

If you have any questions regarding this plan, please call me at (318) 425-2252.

Sincerely,

Willie C. White, III
Chief Executive Officer